

Indian Equity markets registered a stellar month in August gaining by 8% for the month. IT and FMCG stocks led the charge while private sector banks followed. National monetisation plan was announced during the month lending some support to the ambitious National Infrastructure pipeline plan.

Indian economy grew at a record pace in Q1 (April-June) FY2021-22, compared to the same quarter last year, when India was in the midst of a nationwide lockdown. But, it contracted compared to the preceding quarter as the pace of recovery was dented by the localised lockdowns imposed to curb the second wave of COVID 19. GDP in Q1 FY22 rose by 20.1% YoY compared to 1.6% YoY in Q4 FY21. GVA growth in Q1 FY22 was at 18.8% compared to 3.7% in Q4 FY21 on an annual basis.

Private consumption, reflected in private final consumption expenditure, rose 19.3% in Q1 FY22 on an annual basis, compared to 2.7% YoY in Q4 FY21. Investments, as reflected by gross fixed capital formation, rose 55.3% YoY in Q1 YoY compared to 10.9% YoY in previous quarter. Government final consumption expenditure contracted 4.8% YoY in Q1 compared to a rise of 28.3% YoY in the fourth quarter.

India's trade deficit further widened in August as imports continued to rise and exports came off record highs. Trade deficit widened to \$13.9 billion in August, from \$10.97 billion in July, the highest since April.

The monetary policy committee stance of status quo with respect to rates and continuation of the accommodative stance was on expected lines while the increase in FY22 inflations rates from 5.1% to 5.7% was a bit of a surprise leading to a small increase in yields. With the overhang of taper and the impact of inflation, if it turns to be non-transitory, the impact could be substantial on benchmark rates. Spreads continue to be at around all-time highs.

Most global equity markets also recovered from the intra month lows across Asia and Europe while US markets continued to move higher. Among the broader sectors IT and FMCG stocks are currently trading at pretty high valuations while Auto and Pharma after the recent corrections are trading at valuations that offer some valuation comfort.

COVID is again rearing its head as daily case counts have been going up in India over the last week, though in concentrated pockets. Vaccination drive is progressing well and the urban rural divide seems miniscule vis-à-vis as was perceived earlier.



## NIP AND NMP

The GOI has chalked a detailed plan on asset monetisation for ~14% of the funding requirement of the National Infrastructure Pipeline (NIP). While NIP envisages infrastructure investment of Rs. 111 lakh crores over five-year period from FY 2020 to FY 2025. With annual average investment of ~Rs. 22 lakh crore, this is a significant step-up (~2.5 times) vis-à-vis historical levels of spending on infrastructure., the national monetisation plan (NMP) is the first step in making the funds available to start the NIP process.

Budgetary Sources	Private or Extra Budgetary Sources	Innovative and alternative financing sources
Central Budget (18-20%)	Financing by Banks (8-10%)	Innovative and alternative financing (15-17%)
	Bond Markets (6-8%)	
State Budget (24-26%)	Infrastructure NBFCs (15-17%)	
	PSU Accruals, Equity and Others (8-15%)	

Figure 2: Sources of financing for NIP

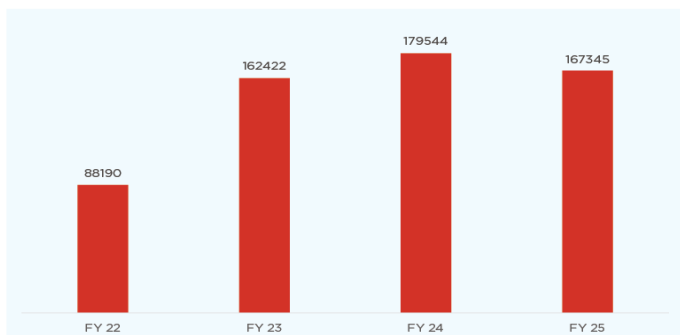


Figure 7: Indicative value of the monetisation pipeline year-wise (Rs crore)

Indicative incremental capex in the next three years across key sectors	FY19-21E Amount (Rs bn)	FY22-24E Amount (Rs bn)	Incremental Amount (Rs bn)
Cement	200 (43MT)	450 (90MT)	250 (47MT)
Steel	250	1,000 (25MMT)	750 (25MMT)
Other Metals	90	180	90
Refinery	220 (10MMT)	910 (38MMT)	690 (38MMT)
Ethanol blending	50	250	200
PLI	-	1,400	1,400
Chemicals	135	274	139
PSU ex-refineries/Steel	482	620	138
Power - Non Thermal	1,800	2,700	900
Total	3,227	7,784	4,557

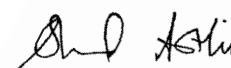
Source : Spark Research

Better than expected recovery from the 2<sup>nd</sup> wave of COVID and accelerated vaccination drive coupled with delay in US taper buoyed the equity markets. The combination of NIP and NMP has the potential to catapult India to the next level of growth. While in the long term accelerated capital formation with the aid of NIP will remain the key to India's long term growth trajectory, in the short to medium term, given the backdrop of festive season boost in the coming quarters and post monsoon pickup in economic activity we could see continuation of the current mood.

Rising inflation trajectory and possible liquidity reversals globally starting over the next 6-9 months could cause some haywire movement in debt and equity instruments and given the backdrop of fragile economic conditions and possibility of rising stress in the financial system, it would be advisable to avoid credit and duration risk. Expensive valuations in equity markets, Delta & other variants/mutants of COVID and the possible impact of a QE reversal have the potential to rock the alpha and beta of the market. To help investors wade through the sea of MF options available and the expected turbulence across asset classes, we have curated some model MF portfolios for a broader classification of investors which goes beyond a particular class of assets and largely focuses on asset allocation keeping the mind the principal of margin of safety.

*On average, 90% of the variability of returns and 100% of the absolute level of return is explained by asset allocation.*

**- Roger G. Ibbotson**

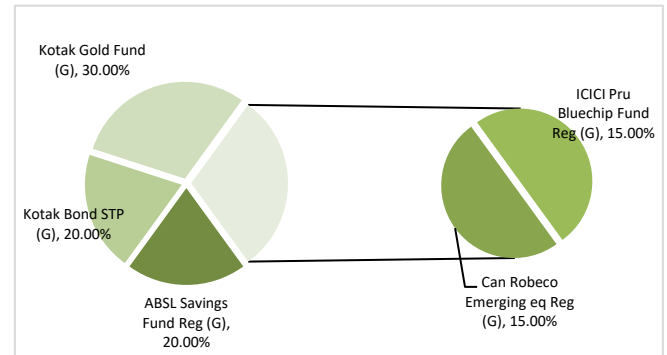


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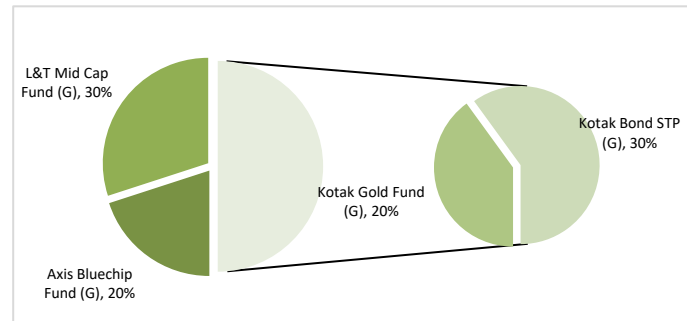
## Profile: Conservative

Scheme	1 Yr Return(%)	3 Year Return(%)	5 Year Return(%)
ABSL Savings Fund Reg (G)	4.51	7.03	7.14
Can Robeco Emerging eq Reg (G)	58.49	16.98	18.02
ICICI Pru Bluechip Fund Reg (G)	49.08	13.37	14.33
Kotak Bond STP (G)	5.03	8.25	7.30
Kotak Gold Fund (G)	-8.6	15.13	7.98



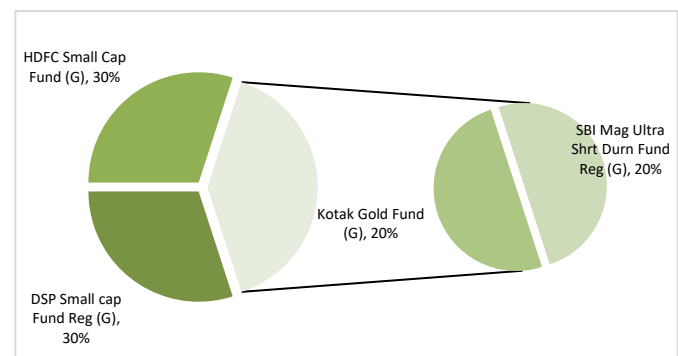
## Profile: Moderate

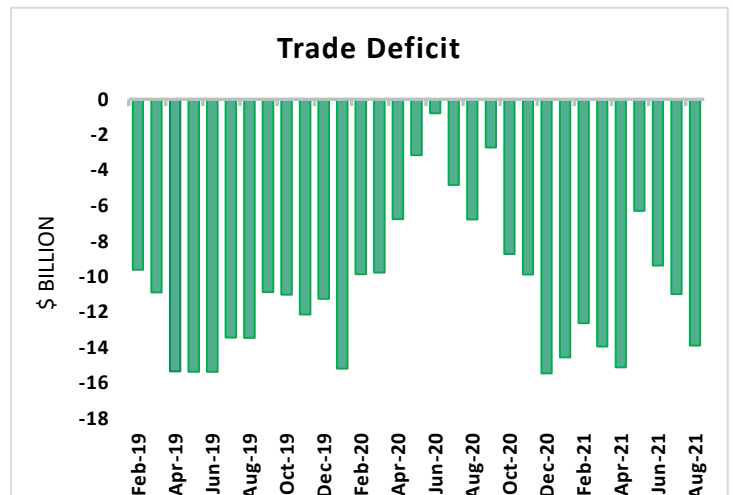
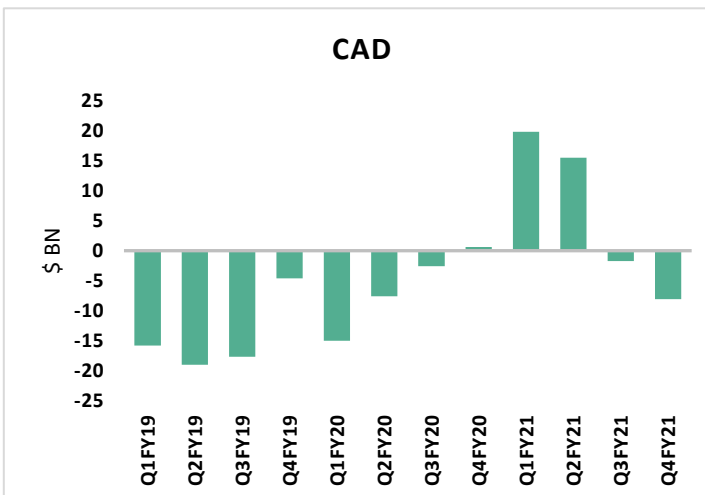
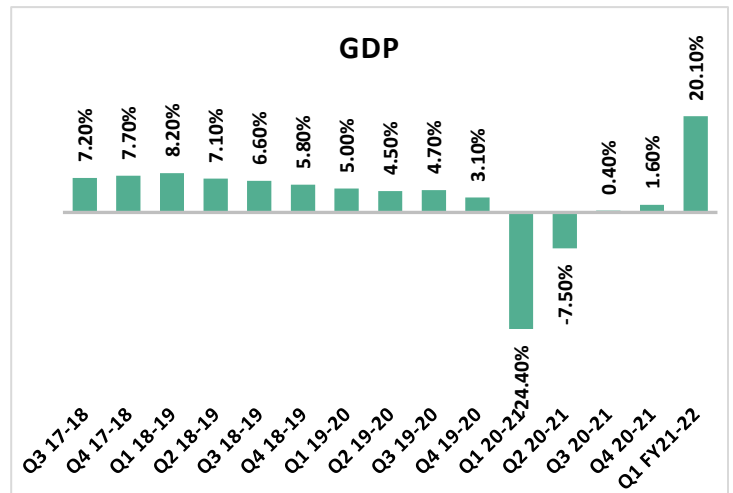
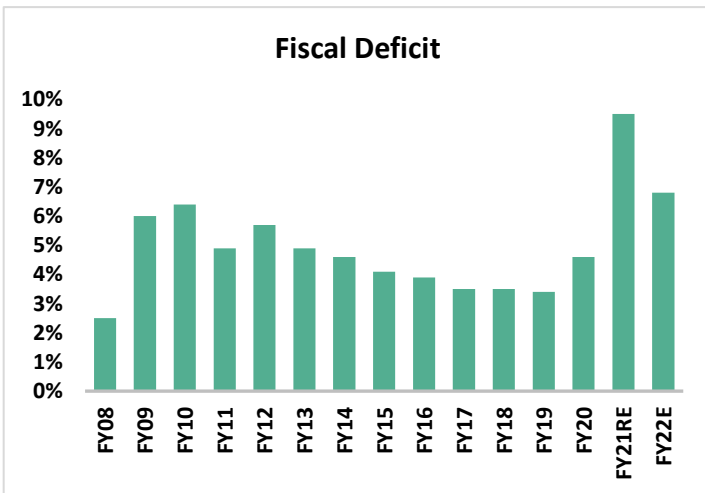
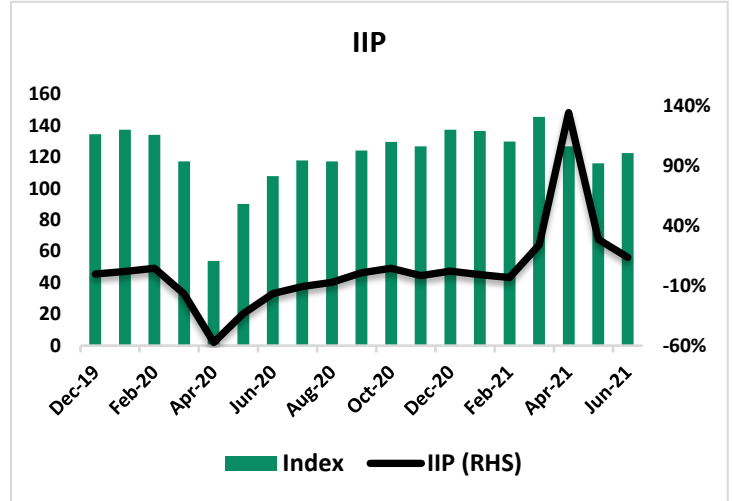
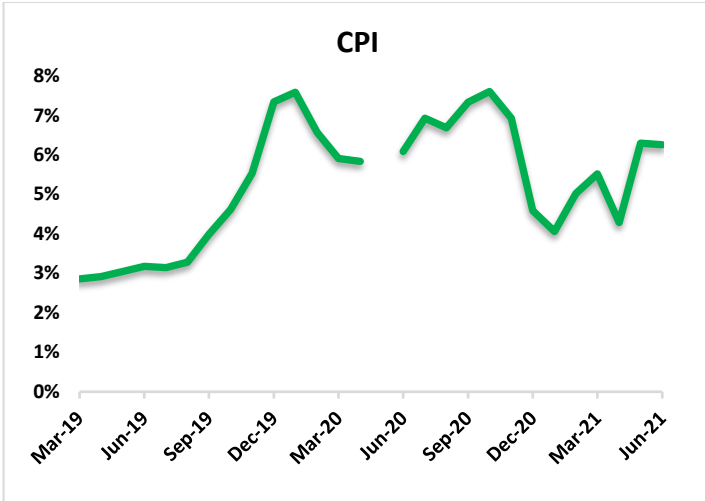
Scheme	1 Yr Return(%)	3 Year Return(%)	5 Year Return(%)
Axis Bluechip Fund (G)	49.41	17.89	17.55
Kotak Gold Fund (G)	-8.14	15.32	7.93
L&T Mid Cap Fund (G)	52.43	12.55	15.35
Kotak Bond STP (G)	6.47	9.65	8.88



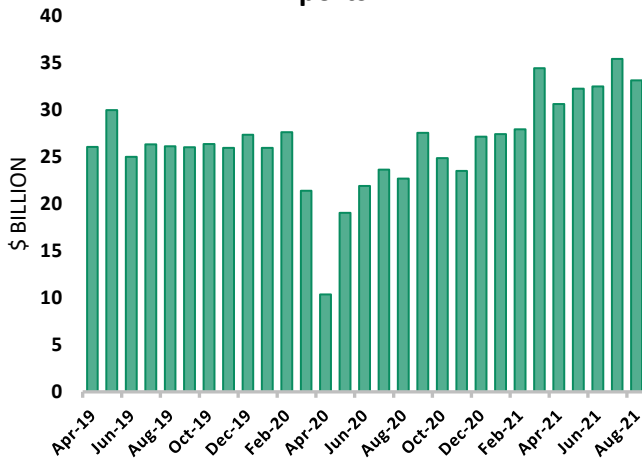
## Profile: Aggressive

Scheme	1 Yr Return(%)	3 Year Return(%)	5 Year Return(%)
DSP Small cap Fund Reg (G)	70.88	18.83	14.77
HDFC Small Cap Fund (G)	85.33	15.36	18.17
Kotak Gold Fund (G)	-8.14	15.32	7.93
SBI Mag Ultra Shrt Durn Fund Reg (G)	3.67	6.31	6.58

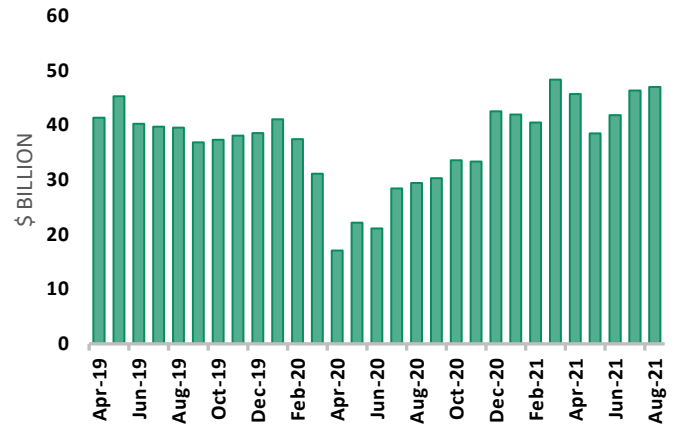




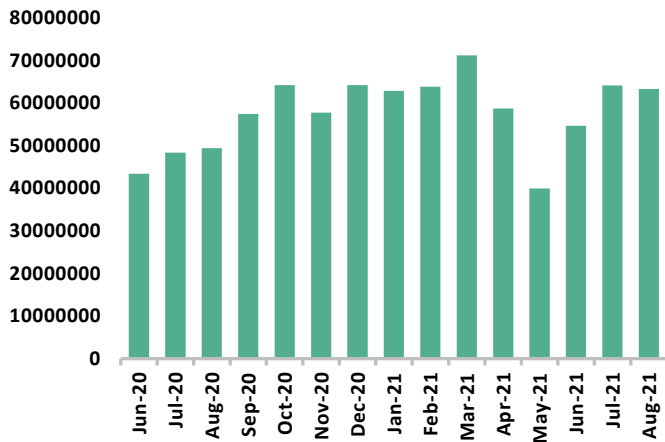
### Exports



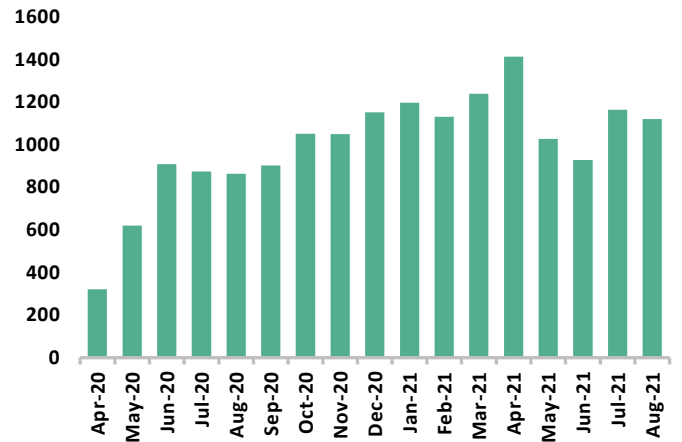
### Imports



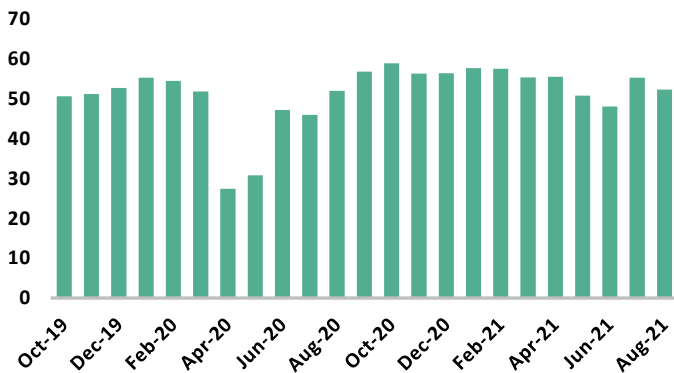
### E Way Bill



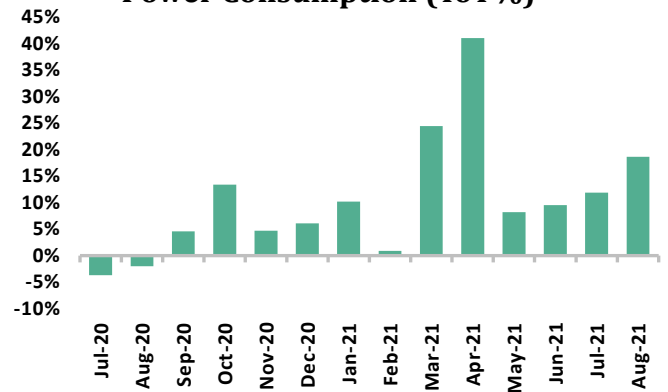
### GST Collection (Rs Bn)



### Manufacturing PMI



### Power Consumption (YoY%)



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